

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING FEE
APPLICATION OF PRICEWATERHOUSECOOPERS LLP
FOR THE THIRTIETH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Interim Fee Application of PricewaterhouseCoopers LLP for the Thirtieth Interim Period (the "Application").

BACKGROUND

1. PricewaterhouseCoopers LLP ("PwC") was retained as auditors and tax consultants to the Debtors and Debtors-in-Possession. In the Application, PwC seeks approval of fees totaling \$434,882.63¹ and expenses totaling \$13,205.19 for its services from July 1, 2008 through September 30, 2008 (the "Application Period").

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2008, and the United States Trustee Guidelines for

¹PwC breaks this amount into two separate fee requests of \$423,460.87 for its accounting and auditing work, and \$11,421.76 for fee application preparation.

Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the "U.S. Trustee Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on PwC, and received a response from PwC, portions of which response are quoted herein.

DISCUSSION

Specific Time and Expense Entries

3. In our initial report, we noted that timekeeper Melissa Noel, billing at an hourly rate of \$127.00, spent 3.40 hours for fees of \$431.80 on tasks which appeared to be overhead. The time entries are as follows:

7/1/2008	0.6	pick up Grace May signed letter and mail. Retrieve approval from manager and send May package to Yaprak
7/31/2008	0.5	pick up Grace June signed letter, mail it & pick up check at office
8/1/2008	0.2	mail check to AR dept
8/25/2008	0.2	pick up check at office
8/25/2008	0.4	prepare check to be mailed and mail at office
9/2/2008	0.3	get letters at office and send to Yaprak
9/24/2008	0.6	pick up check at office
9/25/2008	0.6	prepare checks to mail and mail them at office
	3.4	

Thus, we asked PwC to explain why the estate should compensate these fees. PwC provided the following response:

PwC response to specific time and expense entries for the thirtieth interim period:

7/1/2008	0.6	pick up Grace May signed letter and mail. Retrieve approval from manager and send May package to Yaprak	(a)
7/31/2008	0.5	pick up Grace June signed letter, mail it & pick up check at office	(a)
8/1/2008	0.2	mail check to AR dept	(b)
8/25/2008	0.2	pick up check at office	(b)
8/25/2008	0.4	prepare check to be mailed and mail at office	(b)
9/2/2008	0.3	get letters at office and send to Yaprak	(a)
9/24/2008	0.6	pick up check at office	(b)
9/25/2008	0.6	prepare checks to mail and mail them at office	(b)
	3.4		

(a) Each of these tasks is a necessary component of the fee application preparation process. The tasks and hours are incremental to our internal processes specific to the bankruptcy fee application process and we therefore consider them to be compensable hours, not overhead charges.

(b) We agree that these hours are overhead and should not be compensated.


We appreciate PwC's response with respect to the "(b)" time entries. Although we understand that the work performed in the "(a)" time entries may have been necessary to the fee application process, it is nevertheless secretarial in nature. Thus, it appears to us that all of the time entries in question are noncompensable, and we therefore recommend a reduction of \$431.80 in fees.

CONCLUSION

4. Thus, we recommend approval of \$434,450.83 in fees (\$434,882.63 minus \$431.80) and \$13,205.19 in expenses for PwC's services for the Application Period.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 25th day of February, 2009.


Warren H. Smith

SERVICE LIST

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